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FISCAL IMPACT REPORT

ORIGINAL DATE 2/9/07

SPONSOR Stapleton LAST UPDATED 2/11/07 HB HJR 7

SHORT TITLE PROPERTY TAX EXEMPTIONS, CA SB _____

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
		See Narrative	Recurring	Local Government
		See Narrative.	Recurring (every two years)	General Obligation Bond Capacity

(Parenthesis () Indicate Revenue Decreases)

Relates to SB 695

SOURCES OF INFORMATION

LFC Files
Taxation and Revenue Department
US Census

Responses Received From

Higher Education Department
Taxation and Revenue Department

SUMMARY

Synopsis of Bill

House Joint Resolution 7 amends the constitution to provide an exemption from property taxes for homeowners 67 and older. To be eligible, the property must be assessed at less than \$250,000. The homeowner must have resided their 25 years or longer and have taxable income of less than \$50,000.

FISCAL IMPLICATIONS

The fiscal implications of HJR 7 are significant. As table one shows, the property value subject to the exemption is estimated to be \$4.5 billion and the taxable value is \$1.5 billion or 3.5 percent of total taxable value in NM. The amount of tax is \$40 million but this amount would be

shifted to other taxpayers via higher rates due to the property tax mechanism. There would also be an impact on general obligation bond capacity though the magnitude is uncertain. General obligation bonds are issued every odd year upon approval of the citizens.

Table 1: Summary of Calculations and Assumptions

Tax Returns (2005 NM PIT Returns – TRD)	799,741
Share > 65 (2005 US Census)	12.2%
Elderly Pop (Tax returns * Share >65)	97,568
Share < 50 k TI (205 NM PIT Returns – TRD)	87%
Eligible Pop (Elderly Pop * Share < 50 k)	84,885
Homeowners (American Home Survey, 2005)	80%
Tenure (American Home Survey, 2005)	53%
Median Value (Census 2005)	125,500
PROP VALUE	4,518,072,492
Tax Value (Prop value / 3)	1,506,024,164
Tax Rate (NM TRD)	\$26.62 / \$1000
Tax Liability	\$ 40,090,363

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB 695 caps the growth in property valuation to no more than 3 percent.

TECHNICAL ISSUES

The proposed amendment uses taxable income rather than adjusted gross income. A \$50,000 cap on taxable income includes most New Mexicans (87 percent) and implies an adjusted gross income of approximately \$70,000. If the intent was to target low income taxpayers, adjusted gross income is a better measure to use.

NF/nt